



LEGISLATIVE AUDIT AND FISCAL REVIEW COMMITTEE

Tuesday, September 27, 2022
Attorney General Facility
1720 Burlington Drive and
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Jerry Klein, Chairman, called the meeting to order at 10:30 a.m. at the Attorney General's facility, 1720 Burlington Drive, Bismarck.

Members present: Senators Jerry Klein, David A. Clemens, Joan Heckaman, Jordan Kannianen, Judy Lee*; Representatives Mary Adams, Mary Johnson, Keith Kempenich, Gary Kreidt, Scott Louser, Jeffery J. Magrum, Mike Nathe, Emily O'Brien, Jim Schmidt, Wayne A. Trottier

Member absent: Representative Cole Christensen

Others present: See [Appendix A](#)

**Attended remotely*

ATTORNEY GENERAL LEASED FACILITY TOUR

Mr. Lonnie Grabowska, Director, Bureau of Criminal Investigations; Mr. Parrell Grossman, Consumer Protection Manager; and Mr. Lance Gaebe, Director, North Dakota Lottery, Attorney General's office, led the committee on a tour of the leased facility located at 1720 Burlington Drive, Bismarck, including the Bureau of Criminal Investigations garage and meeting areas, offices, and cubicles within each division.

The committee recessed at 12:00 noon and reconvened at 1:00 p.m. in the Roughrider Room, State Capitol.

It was moved by Representative Nathe, seconded by Representative Schmidt, and carried on a voice vote that the minutes of the June 29, 2022, meeting be approved as distributed.

Mr. Allen H. Knudson, Legislative Budget Analyst and Auditor, Legislative Council, distributed audit summaries entitled [Summary of Major Items in Audit Reports for the September 27, 2022, Meeting](#).

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Representatives of the State Auditor's office presented the following audit reports:

- [Department of Water Resources for the Two-Year Period Ended June 30, 2021;](#)
- [Commission on Legal Counsel for Indigents for the Two-Year Period Ended June 30, 2021;](#)
- [North Dakota Council on the Arts for the Two-Year Period Ended June 30, 2021;](#)
- [Department of Agriculture for the Two-Year Period Ended June 30, 2021;](#)
- [Department of Career and Technical Education for the Two-Year Period Ended June 30, 2021;](#)
- [North Dakota State University for the Two-Year Period Ended June 30, 2021;](#)
- [North Dakota State College of Science for the Two-Year Period Ended June 30, 2021;](#)
- [Williston State College for the Two-Year Period Ended June 30, 2021;](#)
- [Lake Region State College for the Two-Year Period Ended June 30, 2021;](#)
- [Valley City State University for the Two-Year Period Ended June 30, 2021;](#)

- [Mayville State University for the Two-Year Period Ended June 30, 2021;](#)
- [Department of Public Instruction for the Two-Year Period Ended June 30, 2021;](#)
- [North Dakota Veterans' Home for the Two-Year Period Ended June 30, 2021;](#)
- [Office of Management and Budget for the Two-Year Period Ended June 30, 2021;](#)
- [Parks and Recreation Department for the Two-Year Period Ended June 30, 2021;](#)
- [Office of State Tax Commissioner for the Two-Year Period Ended June 30, 2021;](#) and
- [Department of Human Services for the Two-Year Period Ended June 30, 2021.](#)

Ms. Amber Hill, Vice President, Business Affairs, Mayville State University, provided information regarding the finding on overpayment of salaries. She noted measures have been taken to recoup the funds and processes have been implemented to avoid future overpayments.

Mr. Jeffrey Indovina, Chief, Business Services, Parks and Recreation Department, provided information regarding the findings on noncapitalized equipment and the lack of a yearly physical inventory and fraud risk assessment. He noted the findings have been corrected and processes have been implemented to avoid future errors.

Mr. Christopher D. Jones, Executive Director, Department of Health and Human Services, provided information ([Appendix B](#)) on the audit findings including the timely contact of suspected victims of child abuse and neglect.

AUDITS OF STATE AGENCIES, BOARDS, AND COMMISSIONS

Ms. Lynnell Rude Ussatis, Haga Kommer, Certified Public Accountants, presented the audit report for the [North Dakota Stockmen's Association for the Years Ended December 31, 2021 and 2020](#).

Mr. Knudson distributed the Department of Human Services writeoff reports for the fiscal years 2022 and 2021 ([Appendix C](#)).

At the request of Chairman Klein, Mr. Joshua C. Gallion, State Auditor, presented information ([Appendix D](#)) regarding the investigation of the lease agreement and the remodeling and construction of facilities leased by the Attorney General located at 1720 Burlington Drive, Bismarck. Major findings of the report include:

- Division Directors were not involved in lease negotiations leading to numerous changes throughout the remodeling process which added to overall project cost;
- A number of invoices had minimal detail leading to questionable contractor costs and possible double-billing for some expenses;
- Services may have been completed by a contractor without a contracting license; and
- Possible recovery of deleted Attorney General emails.

In response to questions from committee members, Mr. John Boyle, Director, Facility Management Division, Office of Management and Budget, reviewed the role of the Office of Management and Budget in agency lease arrangements and Office of Management and Budget's involvement in the Attorney General's lease agreement.

Chairman Klein indicated the committee has the authority to ask the Attorney General to conduct an additional investigation of the building lease agreement and remodeling and construction costs based on the information the committee received from the State Auditor.

Mr. Drew H. Wrigley, Attorney General, indicated if the committee asks the Attorney General to further investigate the lease agreement and related remodeling and construction costs of the leased facility, he would arrange for an independent organization to conduct the investigation.

It was moved by Senator Heckaman, seconded by Representative Nathe, and carried on a roll call vote that pursuant to North Dakota Century Code Section 54-35-02.2, the committee:

- 1. Provide the State Auditor's report relating to the lease agreement and remodeling and construction costs of the Attorney General's facility located at 1720 Burlington Drive, Bismarck, to the Attorney General for additional investigation; and**

2. Encourage the Attorney General to arrange for an independent organization to conduct the investigation.

Senators Klein, Clemens, Heckaman, Kannianen, and Lee and Representatives Adams, Kempenich, Kreidt, Louser, Magrum, Nathe, O'Brien, and Schmidt voted "aye." Representative Johnson voted "nay."

Ms. Kirsten Baesler, Superintendent of Public Instruction, commented on the audit finding relating to spending funds on a program other than the program approved for additional spending authority by the Emergency Commission. She indicated in the future, the department will request Emergency Commission approval to transfer funds between programs.

It was moved by Representative Kreidt, seconded by Representative Adams, and carried on a roll call vote that, pursuant to Section 54-35-02.2, the committee accept the following reports reviewed by the committee at its September 27, 2022, meeting:

1. Department of Water Resources (June 30, 2020 and 2021)
2. Commission on Legal Counsel for Indigents (June 30, 2020 and 2021)
3. North Dakota Council on the Arts (June 30, 2020 and 2021)
4. Department of Agriculture (June 30, 2020 and 2021)
5. Department of Career and Technical Education (June 30, 2020 and 2021)
6. North Dakota State University (June 30, 2020 and 2021)
7. North Dakota State College of Science (June 30, 2020 and 2021)
8. Williston State College (June 30, 2020 and 2021)
9. Lake Region State College (June 30, 2020 and 2021)
10. Valley City State University (June 30, 2020 and 2021)
11. Mayville State University (June 30, 2020 and 2021)
12. Department of Public Instruction (June 30, 2020 and 2021)
13. North Dakota Veterans' Home (June 30, 2020 and 2021)
14. Office of Management and Budget (June 30, 2020 and 2021)
15. Parks and Recreation Department (June 30, 2020 and 2021)
16. Office of State Tax Commissioner (June 30, 2020 and 2021)
17. Department of Human Services (June 30, 2020 and 2021)
18. North Dakota Stockmen's Association (December 31, 2020 and 2021)

Senators Klein, Clemens, Heckaman, Kannianen, and Lee and Representatives Adams, Kempenich, Kreidt, Louser, Magrum, Nathe, O'Brien, and Schmidt voted "aye." No negative votes were cast.

It was moved by Senator Heckaman, seconded by Senator Kannianen, and carried on a voice vote that the Chairman and the Legislative Council staff be requested to prepare a report and present the report to the Legislative Management.

No further business appearing, Chairman Klein adjourned the meeting at 5:13 p.m.

Toby S. Mertz
Fiscal Analyst

Allen H. Knudson
Legislative Budget Analyst and Auditor

ATTACH:4